



Rex Railways, Inc.

EXECUTIVE OFFICES

616 PALISADE AVENUE
ENGLEWOOD CLIFFS,
NEW JERSEY 07632
201-567-8300

March 3, 1978

Mrs. Mildred Lee
Interstate Commerce Commission
Recordation Department
Room 1227
12th & Constitution Avenue, N.W.
Washington, D.C. 20423

RECORDATION NO. 9264 Filed & Recorded

MAR 6 1978 -9 22 AM

INTERSTATE COMMERCE COMMISSION

RECEIVED
MAR 6 9 15 AM '78
CERTIFICATION UNIT

Dear Mrs. Lee:

Enclosed please find an executed Lease Agreement dated the first of February, 1978 between Lamoille Valley Railroad Company, Morrisville, Vermont and our Company with respect to 100 FMC end-of-car cushioned brand new XM boxcars, Nos. 3000 to 3099 inclusive.

Also enclosed is our check to the order of ICC in the sum of \$50.00 to record this Lease. At present there is no Security Agreement in connection with this Lease because there is no Lender.

Please record the Lease (we have enclosed an original and two copies thereof) and send the official recording receipt to the undersigned.

Thanking you and,

Most cordially yours,

Mark A. Salitan
Chairman

8-065A020

MAS:dw
encl.

MAR 6 1978

Date

Fee \$ 50

ICC Washington, D. C.

Interstate Commerce Commission
Washington, D.C. 20423

3/6/78

OFFICE OF THE SECRETARY

Mark A. Salitan, Chairman
Rex Railways, Inc.
616 Palisade avenue
Englewood Cliffs, New Jersey 07632

Dear Sir:

The enclosed document(s) was recorded pursuant to the
provisions of Section 20(c) of the Interstate Commerce Act,

49 U.S.C. 20(c), on 3/6/78 at 9:20am
and assigned recordation number(s)

9264

Sincerely yours,

H.G. Homme, Jr.
Acting Secretary

Enclosure(s)

SE-30-T
(6/77)

RAILROAD EQUIPMENT LEASE MAR 6 1978 -9 22 AM

This Lease Agreement, made as of this 1 day of February, 1978 by and between REX RAILWAYS, INC., a New Jersey Corporation having its principal office at 616 Palisade Avenue, Englewood Cliffs, Hudson County, New Jersey (hereinafter "REX") as lessor and LAMOILLE VALLEY RAILROAD COMPANY, a Vermont Corporation having its principal office in Morrisville, Lamoille County, Vermont (hereinafter "LESSEE") as lessee, witnesseth:

1. Scope of Agreement. REX leases to LESSEE, and LESSEE leases from REX one hundred (100) railroad boxcars (hereinafter "BOXCARS") of the type and description as set forth in Schedule A attached hereto and initialled by REX and LESSEE. REX shall, at all times, be and remain the lessor of all BOXCARS leased hereunder during the term of this agreement. LESSEE shall, at no time, take any action or file any document which is inconsistent with REX being treated at all times as owner and lessor of the BOXCARS. LESSEE shall further take such action and execute such documents as may, from time to time, be necessary to establish REX status as owner and lessor of the BOXCARS.

2. Term of Agreement. This agreement shall remain in full force and effect until it shall have been terminated as to all of the BOXCARS. The term of this lease agreement with respect to each individual BOXCAR shall be for fifteen (15) years commencing upon the date of delivery of each BOXCAR as determined in § 3 hereof. If this agreement has not been sooner terminated and no default has occurred and is a continuing default, the leased term with respect to each BOXCAR shall automatically be extended for not more than five (5) consecutive periods of

twelve (12) consecutive months provided, however, that REX or LESSEE may by written notice delivered by one party to the other party not less than twelve (12) months prior to the end of the initial fifteen (15) year lease term, or any extended term thereof for any BOXCAR, terminate this agreement.

3. Delivery and Supply. REX will inspect each BOXCAR tendered by the manufacturer thereof for delivery to LESSEE. If the BOXCAR conforms to the specifications of the equipment ordered by REX and the specifications hereof, and to all applicable governmental regulatory specifications, and this agreement has not been terminated, REX will accept delivery thereof at the manufacturer's facility and REX will further notify LESSEE in writing of such acceptance. The BOXCARS shall be deemed for the purposes of this agreement to have been delivered to LESSEE upon the acceptance thereof by REX. The BOXCARS shall be moved to LESSEE'S railroad line at no cost to LESSEE as soon after acceptance by REX as is consistent with mutual convenience and economy. REX cannot control when the BOXCARS will actually be available to LESSEE for its own use on its own railroad tracks, and shall not be deemed to be in breach hereof on account of a delay in such delivery to LESSEE'S railroad line. Notwithstanding that LESSEE may not have immediate physical possession of the BOXCARS, LESSEE shall pay to REX the rental charges set forth in this agreement. To move the BOXCARS to LESSEE'S railroad line and insure optimal use of the BOXCARS during the term of this agreement, REX shall assist LESSEE in monitoring BOXCAR movements and, when deemed necessary by LESSEE and REX, to issue movement orders with respect to such BOXCARS to other railroad

lines in accordance with ICC and AAR interchange agreements and rules and car service rules.

4. Right of First Refusal. So long as LESSEE shall have on lease one or more of the BOXCARS, LESSEE shall not lease BOXCARS from any other party unless it shall have had delivered to it the one hundred (100) BOXCARS leased under this agreement. Once the one hundred (100) BOXCARS have been delivered to LESSEE, that is, upon REX acceptance of them at the manufacturer's facility, LESSEE shall not lease BOXCARS similar to the BOXCARS leased hereunder from any other party unless it shall have given to REX at least thirty (30) days prior written notice of its desire to so lease additional BOXCARS. REX shall then, within fifteen (15) days of receipt of such notice, have the right to lease such additional BOXCARS to LESSEE upon the same or at better terms and conditions than that offered to LESSEE by such other party. The foregoing, however, shall not prohibit LESSEE from leasing BOXCARS of similar type to the BOXCARS leased hereunder if REX does not offer to lease the same upon the same terms and conditions within fifteen (15) days of receiving written notice as provided for above. Notwithstanding the purchase of BOXCARS by LESSEE, or LESSEE'S leasing or direct interchange of BOXCARS from other parties, LESSEE shall give first preference to REX and shall load the BOXCARS leased hereunder from REX prior to loading other BOXCARS provided, however, that in no event shall LESSEE be prevented or prohibited from fulfilling its obligations to provide transportation and facilities upon reasonable request therefor to shippers on its railroad tracks.

5. Railroad Markings and Record Keeping. On or before the delivery of the BOXCARS, the BOXCARS shall be lettered with the railroad reporting marks of LESSEE, with the name and insignia used by LESSEE, and with ACI markings. Such name and markings shall comply with all applicable regulations and shall be affixed to the BOXCARS in the space directly above LESSEE'S reporting marks, and with a width of not more than seven (7) feet. ACI markings and LESSEE'S insignia shall be placed on the BOXCAR in compliance with all applicable regulations and, where physically possible, at LESSEE'S direction.

6. Record Keeping. REX shall, during the term of this agreement, prepare all documents for LESSEE'S signature and filing relating to the registration, maintenance and record keeping functions normally performed by an owning railroad with respect to BOXCARS. Such matters shall include but are not limited to the preparation of the following documents:

(i) Appropriate AAR interchange agreements with respect to the BOXCARS including an application for relief from AAR car service rules 1 & 2 when required by paragraph 17 hereof below

(ii) Registration for each BOXCAR in the official railway equipment register and the universal machine language equipment register;

(iii) Such reports as may be required from time to time by the Interstate Commerce Commission and other regulatory agencies with respect to the BOXCARS.

All registrations and filings and keeping of records shall be at no cost to LESSEE. REX shall, on behalf of LESSEE, perform all record keeping functions related to the use of the BOXCARS

by LESSEE and other railroads in accordance with AAR interchange agreements and rules, including but not limited to car hire reconciliation. Correspondence from railroads using the BOX-CARS shall be addressed to LESSEE at LESSEE'S principal office, that is, Lamoille Valley Railroad Company, Stafford Avenue, Morrisville, Vermont 05661. Copies of all such correspondence shall be promptly forwarded by LESSEE to REX. All record keeping performed by REX hereunder and all record of payments, charges and correspondence related to the BOXCARS shall be separately recorded and maintained by REX in a form suitable for reasonable inspection by LESSEE from time to time during regular REX business hours. LESSEE shall supply REX with such reports regarding the use of BOXCARS by LESSEE on LESSEE'S railroad line as REX may reasonably request.

7. Maintenance, Taxes and Insurance.

a. REX will pay all costs, expenses, fees and charges incurred in connection with the use and operation of each BOX-CAR during its leased term and any extension thereof, including but not limited to repairs, maintenance and servicing unless the same was occasioned by the fault of LESSEE while a BOXCAR was in LESSEE'S physical possession. LESSEE shall inspect all BOXCARS interchanged to it to insure that such BOXCARS are in good working order and condition and LESSEE shall be liable to REX for any repairs required on LESSEE'S railroad line and not noted at the time of interchange. LESSEE hereby transfers and assigns to REX for and during the leased term of each BOX-CAR all of LESSEE'S right, title and interest in any warranty and respect to the BOXCARS. All claims or actions on any warranty

so assigned shall be made and prosecuted by REX at its sole expense and LESSEE shall have no obligation to make any claim on such warranty. Any recovery under such warranty shall be made payable to REX, and LESSEE hereby assigns any such recovery to REX. All proceeds from such recovery shall be used to repair or replace such BOXCARS on account of which such recoveries are made.

b. LESSEE may make running repairs to facilitate continued immediate use of a BOXCAR, but shall not otherwise make any repairs, alterations, improvements or additions to the BOXCARS without receiving prior written consent from REX. If LESSEE makes an alteration to any BOXCAR without the prior written consent of REX, LESSEE shall be liable to REX for any revenues lost due to such alteration. Title to any such alteration, improvement or addition occurring in the course of or as a result of normal and customary maintenance shall be and remain with REX.

c. REX shall make or cause to be made such inspections of, and maintenance and repairs to, the BOXCARS as may be required. Upon request of REX, LESSEE shall perform any necessary maintenance and repairs to BOXCARS on LESSEE'S railroad track as may be reasonably requested by REX. REX shall also make, at its expense, all alterations, modifications or replacement of parts, as shall be necessary to maintain the BOXCARS in good operating condition throughout the term of the lease of such BOXCARS.

d. LESSEE will at all times while this agreement is in effect be responsible for the BOXCARS while they are on LESSEE'S

railroad tracks in the same manner that LESSEE is responsible under Rule 7 of the AAR Car Service and Car Hire Agreement Code of Car Service Rules - Freight for cars not owned by LESSEE which are operating on LESSEE'S railroad tracks. LESSEE shall protect against the consequences of an event of loss involving the BOXCARS by either obtaining insurance or maintaining a self insurance program which conforms to actuarially sound principals. If LESSEE elects to carry insurance, it shall furnish REX concurrently with the execution hereof and thereafter at intervals of not more than twelve (12) calendar months with a certificate of insurance signed by an independent insurance broker with respect to the insurance carried on the BOXCARS. All insurance shall be taken out in the name of LESSEE and REX (or its assignee) as their respective interests may appear.

e. REX shall reimburse LESSEE for all taxes, assessments, and other governmental charges of whatsoever kind or character paid by LESSEE relating to each BOXCAR and on the lease, delivery or operation thereof which may be accrued, levied, assessed or imposed during the leased term or which remain unpaid as of the date of delivery of such BOXCAR to LESSEE, except taxes on net income imposed on LESSEE and sales or use taxes imposed on the mileage charges and / or car hire revenues. REX shall forward to LESSEE all sales and use taxes received by it on behalf of LESSEE. REX and LESSEE will comply with the all state and local laws requiring the filing of ad valorem tax returns on the BOXCARS. REX and LESSEE shall each review all tax returns prior to filing.

8. Rental Charges.

a. As and for a part of the consideration for this agreement, LESSEE shall pay to REX all of the mileage charges, per diem revenues and incentive per diem revenues payable to LESSEE by other railroad companies if the utilization of all of the BOXCARS during each calendar year this agreement is in force and effect shall, on an aggregate basis, be equal to or less than 80%. For the purposes of this agreement, utilization of the BOXCARS shall be determined by a fraction, the numerator of which is the aggregate number of days in each calendar year that per diem is earned on the BOXCARS, and the denominator of which is the aggregate number of days in each calendar year. LESSEE shall pay to REX as rent, in addition to the foregoing one half (1/2) of all of the mileage charges, per diem and incentive per diem earned by the BOXCARS, on an aggregate basis, for that portion of the revenues earned by the BOXCARS attributable to utilization in excess of 80% but not more than 90% in any such calendar year. All revenues earned by the BOXCARS that are attributable to the utilization of them, on an aggregate basis, in excess of 90% in any calendar year shall be the sole and separate property of and retained by LESSEE.

b. Rental charges payable to REX by LESSEE hereunder shall be paid from the moneys received by LESSEE in the following order until REX receives the amount due it pursuant to the immediately preceding paragraph:

- (1) Incentive per diem;
- (2) Per diem;

(3) Line haul mileage charges.

c. In the event damage or destruction of a BOXCAR has been reported in accordance with Rule 7 of the AAR Code of Car Hire Rules and Interpretations - Freight and the amount of rent due REX by LESSEE on account thereof have been paid to and received by REX, such damaged or destroyed BOXCAR will be removed from the force and effect of this agreement as of the date payment of car hire revenues attributable to it ceased, and all relevant portions of this agreement shall be deemed to have been adjusted to properly reflect such removal.

d. Within three (3) months after the end of each calendar quarter this agreement is in force and effect, REX shall calculate, on a quarterly basis rather than a yearly basis, the rent earned by REX hereunder. Such rent shall be paid by LESSEE to REX within ten (10) business days of receipt by LESSEE of written notice from REX of the amount of rent due hereunder. In all events, REX may, at its election, demand and receive from LESSEE not more than 85% of the revenues earned by the BOXCARS in any such calendar quarter. Within three (3) months of the end of each calendar year this agreement is in force and effect; REX shall calculate the rent earned by it hereunder for such calendar year and, within ten (10) business days of completing such calculation, give LESSEE written notice thereof. LESSEE shall, in such accounting, receive full credit for all payments made by it hereunder to REX on account of such calendar year's rent. If such accounting concludes that a refund of rent paid by LESSEE to REX is due, REX shall submit such refund with the accounting. If such accounting concludes that LESSEE owes to REX additional

rent, LESSEE shall pay such additional rent within ten (10) business days of receipt by it of such accounting.

e. In the event the utilization of the BOXCARS in any calendar quarter is less than 80% on an aggregate basis REX may, at its option and upon not less than thirty (30) days prior written notice thereof to LESSEE, terminate this agreement as to any number or all of the BOXCARS.

f. REX may, at its option, terminate this agreement if the Interstate Commerce Commission shall, at any time,

(1) issue an order reducing incentive per diem for hire of BOXCARS on an annual basis to three (3) months or less without imposing a corresponding increase in per diem or other revenues on account of car hire at least equal in amount to such reduction, or

(2) determine that LESSEE may not apply its net credit balance from incentive per diem settlements in payment of the rental charges incurred by LESSEE hereunder.

g. If any BOXCAR remains on LESSEE'S railroad tracks for more than seven (7) consecutive days REX may, at its option and upon not less than twenty-four (24) hours prior written notice, terminate this agreement as to such BOXCAR and withdraw such BOXCAR from LESSEE'S railroad tracks, and in such event all relevant portions of this agreement shall be adjusted to reflect the changed number of BOXCARS leased hereunder. If any such BOXCAR has remained on LESSEE'S railroad tracks more than seven (7) days because LESSEE has not given preference to the BOXCARS as specified above, LESSEE shall, in addition, pay to REX an amount equal to the car hire revenues LESSEE would have earned

on account of such BOXCAR or BOXCARS if such BOXCAR or BOXCARS were in the physical possession of another railroad for the entire period after the expiration of such seven (7) days. This section 8 (g) shall not apply, however, if a BOXCAR remains on LESSEE'S railroad tracks for more than seven (7) days because it was awaiting repairs in LESSEE'S repair facility and such repairs, because of circumstances not under LESSEE'S control, could not be completed within such seven (7) day period.

9. Possession and Use. So long as LESSEE shall not be in default under this agreement, LESSEE shall be entitled to the possession, use and quiet enjoyment of the BOXCARS in accordance with the terms hereof and in a manner and to the extent BOXCARS are customarily used in the railroad freight business. Whenever LESSEE has physical possession, or can control the use, of the BOXCARS, the BOXCARS will at all times be used and operated under and in compliance with the laws of the jurisdiction in which the same may be located, and in compliance with all lawful acts, rules and regulations and orders of any governmental bodies or officers having the power to regulate or supervise the use of such property, except that either REX or LESSEE may, in good faith and by appropriate proceedings, contest the application of any such rule, regulation, order or law in any reasonable manner and at the expense of the contesting party.

10. Encumbrances. LESSEE will not, directly or indirectly, create, incur, assume or suffer to exist any mortgage, pledge, lien, charge, encumbrance or other security interest or claim on or with respect to the BOXCARS or any interest therein, or in this agreement or schedule thereto. LESSEE will promptly, at

its own expense, take such action as may be necessary to duly discharge any such mortgage, pledge, lien, charge, encumbrance, security interest or claim if the same shall arise at any time.

11. Remedies upon Default.

a. The occurrence of any of the following events shall be events of default:

(1) The non-payment by LESSEE of any sum required hereunder to be paid by LESSEE within ten (10) business days after receipt of written notice thereof;

(2) The default by LESSEE under other terms, covenants, or conditions of this agreement which is not cured within ten (10) business days after receipt of written notice thereof by LESSEE from REX;

(3) Any affirmative act of insolvency by LESSEE, or the filing by LESSEE of any petition or action under any bankruptcy, organization, insolvency or moratorium law, or any other law or laws or the relief of debtors;

(4) Filing of any involuntary petition under any bankruptcy, reorganization, insolvency or moratorium law against LESSEE that is not dismissed within sixty (60) days thereafter, or the appointment of any receiver or trustee to take possession of the properties of LESSEE unless such petition or appointment is set aside or withdrawn or ceases to be in effect within sixty (60) days from the date of said filing or appointment.

(5) The subjection of any of LESSEE'S property to any levy, seizure, assignment, application or sale for or by any creditors or governmental agency.

(6) The non-payment by REX of any sum required hereunder to be paid by REX to LESSEE within ten (10) business days of receipt of written notice thereof by REX.

b. Upon the occurrence of any event of default by LESSEE REX may, at its option, terminate this agreement and may further

(1) Proceed by appropriate court action to enforce performance by LESSEE of this agreement, or to recover damages for a breach thereof (and LESSEE agrees to bear REX costs and expenses, including reasonable attorney's fees, in securing such enforcement), or

(2) By notice in writing to LESSEE, terminate LESSEE'S right of possession of the BOXCARS, whereupon all right and interest of LESSEE in the BOXCAR shall terminate, and thereupon REX may by its agents enter upon any premises where the BOXCARS may be located and take possession of the same and thereafter hold, possess and enjoy the same free from any right of LESSEE. REX shall, nevertheless have the right to recover from LESSEE any and all rental amounts which under the terms of this agreement may be due or which may have accrued to that date.

c. Upon the occurrence of any event of default by REX LESSEE may, at its option, proceed by appropriate court action to enforce performance by REX of this agreement or to recover damages for a breach thereof (and REX shall bear LESSEE'S costs and expenses, including reasonable attorney's fees, in such proceedings).

12. Termination. At the expiration or termination of this agreement as to any or all of the BOXCARS, LESSEE will surrender

possession of such BOXCARS and deliver the same to REX. The costs of assembling, delivery, storage and transporting of the BOXCARS shall be borne by REX. Upon such termination, LESSEE'S railroad markings shall be removed from each BOXCAR so terminated. If such BOXCARS are on LESSEE'S railroad line at the time of such termination, or are subsequently returned thereto in the ordinary course of railroad freight loadings and interchanges, LESSEE shall within five (5) business days of the commencement of its possession of such BOXCARS after such termination remove its railroad markings from the BOXCARS and place thereon such markings as may be designated by REX. After such removal and replacement of markings, LESSEE shall use its best efforts to load such BOXCARS with freight and deliver the same to a connecting carrier for shipment. LESSEE shall provide up to ten (10) days free storage on its railroad tracks for REX of the subsequent LESSEE of any terminated BOXCAR. If such BOXCARS are not on LESSEE'S railroad line upon termination, all costs, including the costs of removal of LESSEE'S railroad markings and the replacement thereof, shall be borne by REX.

13. Indemnities. REX will defend, indemnify and hold LESSEE harmless from and against any and all loss or damage of or to the BOXCARS, usual wear and tear accepted, unless occurring through the fault of LESSEE while LESSEE has physical possession thereof, and in addition any claim, cause of action, damage, liability, cost or expense, including legal and attorney's fees and costs, to which the BOXCARS may be subject or which may be incurred in any manner by or for the account of any such BOXCAR, unless occurring through the fault of LESSEE, relating to the

BOXCARS or any part thereof, including without limitation the construction, purchase, delivery of the BOXCARS to LESSEE'S railroad line, ownership, leasing or return of the BOXCARS, or as a result of the use, maintenance, repair, replacement, operation or the condition thereof (whether defects, if any, are latent or are discoverable by REX or LESSEE).

14. Warranties and Covenants. LESSEE represents, warrants and covenants that:

a. LESSEE is a corporation duly organized, validly existing and in good standing under the laws of the State of Vermont and has the corporate power, authority and is duly qualified and authorized to do business wherever necessary, to carry out its present business and operations and to own or hold under lease its properties and to perform its obligations under this agreement;

b. The entering into and performance of this agreement will not violate any judgment, order, law or regulation applicable to LESSEE, or result in any breach thereof, or constitute a default thereunder, or result in the creation of any lien, charge, security interest or other encumbrance upon any assets of LESSEE or on the BOXCARS pursuant to any instrument to which LESSEE is a party or by which it or its assets may be bound;

c. There is no action or proceeding pending or threatened against LESSEE before any court or administrative agency or other governmental body which might result in any material adverse effect on the business, properties and assets, or conditions, financial or otherwise, of LESSEE;

d. There is no fact which LESSEE has not disclosed

to REX in writing, and that LESSEE is not a party to any agreement or instrument or subject to any charter or other corporate restriction which, so far as LESSEE can now foresee, will individually or in the aggregate materially adversely effect the business, condition or any material portion of the properties of LESSEE or the ability of LESSEE to perform its obligations under this agreement;

e. LESSEE has, during the years 1964-1968, neither leased nor purchased any BOXCARS.

15. Inspection. REX shall at any time during normal business hours have the right to enter the premises where the BOXCARS may be located for the purpose of inspecting and examining the BOXCARS to insure LESSEE'S compliance with its obligations hereunder. LESSEE shall immediately notify REX of any accident connected with the malfunctioning or operation of the BOXCARS including in such report the time, place and nature of the accident and the damage caused to property, the names and addresses of any persons injured and of witnesses and other information appurtenant to LESSEE'S investigation of the accident. LESSEE shall also notify REX in writing within five (5) days after any attachment, tax lien, or other judicial process shall attach to any BOXCAR. LESSEE shall furnish to REX promptly upon its becoming available, a copy of its annual report submitted to the Interstate Commerce Commission and, when requested, copies of any other income or balance sheet statements required to be submitted to the Interstate Commerce Commission.

16. Delivery Date. REX is unable to state with particularity the delivery date to LESSEE of the BOXCARS. REX represents

and warrants that, in good faith and upon the information presently available to it, it believes that commencement of delivery of the BOXCARS to LESSEE will occur on or about March 1, 1978. REX shall not be deemed to be in default hereunder unless and until sixty (60) days have elapsed from the first day of March, 1978 without the delivery of a BOXCAR to LESSEE. If, after such sixty (60) day period, a BOXCAR has not been delivered to LESSEE as provided for above, LESSEE may, at its option, terminate this agreement and in that event neither party, shall have any claim, one against the other, on account of such breach.

17. AAR Car Service Rules. LESSEE may, at its option, at any time during the term of this agreement apply for relief from the American Association of Railroads Code of Car Service Rules - Freight Rules Numbers 1 & 2. In addition, if the utilization of any or all of the BOXCARS falls below 80% in any calendar quarter, LESSEE shall, at the request of REX, apply for such relief. In either event, REX shall prepare all documents for LESSEE'S signature and filing relating to such application for relief.

18. Binding Effect. This agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, except that LESSEE may not, without the prior written consent of REX, assign this lease or any of the rights hereunder or sublease the BOXCARS to any party, and any purported assignment or sublease and violation hereof shall be void. In addition to this lease, each party shall execute other documents contemplated by this transaction or as may be required in furtherance of this lease. It is expressly understood

and agreed by the parties hereto that this lease constitutes a lease of BOXCARS only, and no joint venture or partnership is being created hereby. Notwithstanding the calculation of rental payments, nothing herein shall be construed to convey to LESSEE any right, title or interest in the BOXCARS except as a LESSEE only. No failure or delay by either party shall constitute a waiver or otherwise effect or impair any right, power or remedy available to it nor shall any waiver or indulgence by either party or any partial or single exercise of any right, power or remedy preclude any other or further exercise thereof or the exercise of any other right, power or remedy. This agreement shall be governed by and construed in accord with the laws of the State of New Jersey in effect at the time of the execution hereof. All notices hereunder shall be in writing and shall be deemed given when delivered personally or when deposited in the United States mail, postage prepaid, certified or registered, addressed to the principal address of the other party.

IN WITNESS WHEREOF, the parties hereto have caused this lease of railroad equipment to be executed as of the 1st day of February, 1978.

REX RAILWAYS, INC.

By: Robert W. Shuber
Duly Authorized Agent

LAMOILLE VALLEY RAILROAD COMPANY

By: James A. Emerson
acting General Manager and Duly
Authorized Agent.

GENSEBURG & AXELROD

ATTORNEYS AT LAW

101 EASTERN AVENUE

P. O. BOX 189

ST. JOHNSBURY, VERMONT

05819

SCHEDULE A

BUILDING SPECIFICATION

FOR A

ALL STEEL SINGLE SHEATHED BOX CAR

WITH

FREIGHTMASTER 10" END OF CAR CUSHIONING

OCTOBER 1977

JOB NO. 17885

FMC CORPORATION
MARINE AND RAIL EQUIPMENT DIVISION -
PORTLAND, OREGON

GENERAL SPECIFICATIONS

DESIGN

Cars to be designed and built in accordance with drawings using open hearth steel or high-tensile low-alloy steel as may be specified and conform to the latest AAR Specifications for Design, Fabrications, and Construction of Freight Cars. Car builder will provide proper jigs for construction to insure good fit-up and alignment of sub-assemblies and completed car.

CLEARANCES

Limiting dimensions must conform to AAR Plate "C", latest revision.

INTERCHANGE

Cars to comply with AAR Interchange Rules and DOT requirements. The light weighing and stenciling must meet requirements of AAR Interchange Rule 70.

MATERIAL AND WORKMANSHIP

All material and workmanship will be of the best quality and work accurately fitted to gages and templates to insure thorough interchangeability.

INSPECTION

The Railroad Company will place as many inspectors as may be deemed necessary at the car builder's works who are to have free access at all times to all drawings and work, that they may see that the provisions of this specification are complied with in every respect.

Material and details not conforming to specifications may be rejected and will be replaced by the car builder.

OWNERSHIP INFORMATION

Ownership information to be stenciled on car body.

GENERAL DIMENSIONS

(NOMINAL)

Gauge	4' 8 1/2"
Length, inside	50' 6"
Width, inside	9' 6"
Height, inside at sides	11' 1 3/4"
Length over steel ends at top	50' 6 11/16"
Length over end sills	50' 6 15/16"
Length over strikers	52' 9 3/4"
Length inside to inside of coupler knuckles	57' 2 1/4"
Width over side sills	9' 6"
Distance, center to center of body bolster	40' 10"
Truck wheel base	5' 8"
Total wheel base	46' 6"
Height, top of rail to top of threshold	3' 7 3/4"
Height, top of rail to center of coupler	2' 10 1/2"
Height of side door opening	10' 4 9/16"
Width of side door opening (clear)	10' 0"
Light weight of each truck (estimated)	9,000 lbs.
Light weight of car (estimated)	62,000 lbs.
Height top of rail to top of roof	15' 5 9/32"
Cubic capacity	5,347 cu. ft.
Height, top of rail to upper eaves	14'-10"
Width over upper eaves	9' 6 3/4"
Height, top of rail to lower eaves	14'-5 3/4"
Width over lower eaves	9' 11 3/4"
Width, extreme	10' 7 3/4"
Height, top of rail to point of extreme width	13'-2 11/32"

CURVE NEGOTIABILITY

RADIUS

(a) Uncoupled	150'
(b) Coupled to like car	199'
(c) Coupled to 40' (base) car	218'

TRUCKS

This specification covers a 70-ton truck with narrow pedestal side frames, roller bearings, 33" wheels, truck lever connection through the bolster, 3 11/16" spring travel, and with Barber S-2 stabilizers.

AXLES

AAR Raised Wheel Seat design D-11 AAR Specifications M-101, untreated, latest revision, with 6" x 11" journals.

BOLSTERS

Bolsters are cast Grade B steel with integral 14" diameter center plate bowl and rod through design. Horizontal wear plates are included. Wear plates are used in friction snubber pockets.

CENTER PIN

Center pin will be AAR Standard design of 1 3/4" diameter A-36 steel.

ROLLER BEARINGS

Roller bearings will be no field lubrication AAR Standard for 6" x 11" journals.

ROLLER BEARING ADAPTERS

Roller bearing adapters shall be AAR Standard for 6" x 11" journals and narrow pedestal side frames and without heat indicators. Crown and shoulders hardened.

SIDE BEARINGS

Single roller type supplied by A. Stucki Company. Side bearing clearance will be 3/16" minimum to 5/16" maximum.

SIDE FRAMES

Side frames are cast Grade B steel and are narrow pedestal type having integral unit brake beam guide bracket. Column guides to have wear plates bolted and welded. Hardened wear plates are welded in roof of pedestal jaw.

TRUCKS (Continued)

SPRINGS

Springs shall be AAR Standard D-5 for 3 11/16" spring travel, twenty-eight (28) outer and twelve (12) inner. Springs not color coded.

WHEELS

Wheels are J-33-U, one wear. Wheels mounted in accordance with AAR Standard practice.

UNDERFRAME

BODY BOLSTER

Body bolster to be built-up welded design consisting of 1/2" ASTM A-572 Grade 50 steel web plates welded to center sill and side sill connection plate.

A 1/2" x 36" ASTM A-572 Grade 50 steel plate top cover plate extends from side sill flange to side sill flange and is welded to the web plates and side sill.

Bottom cover plates of 9/16" x 28" A-572 Grade 50 steel UM plate extend from center sill flange to side sill connection plate. It is welded to the web plates (both sides) and center sill.

Bolster will be reinforced over side bearings with a 3/8" A-36 pressed steel filler, welded to bottom cover plate.

Jacking pads, cut from C15 x 33.9 channel, will be applied to side sills at centerline of bolster and must be securely welded to side sills and bolster bottom cover plate.

Web stiffeners of 3/8" A-36 steel plate, eight (8) per car, will be located at critical changes in section on bolsters.

The body bolster is attached to the side sill with six (6) 3/4" lockbolts.

Bolster tie plate to be 5/8" x 30" ASTM A-572 Grade 50 steel plate welded to bottom cover plates and center sill flanges.

BODY CENTER PLATE

Body center plate to be 14" diameter Dresser low profile design. Bowl will be flame hardened to a minimum Rockwell C-35 (approximately BHN 327).

BODY SIDE BEARING

Side bearing will be AISC C-1045 quenched and tempered to Brinell Hardness 248-375 and secured to a 1/2" A-36 steel filler and bolster bottom cover plate with two (2) 3/4" high-strength square neck plow bolts, high-strength heavy hex nuts, and hardened washer, fully torqued to recommended standards. After torquing, nut will be tack welded to bolt. Bottom face of side bearing will have bolt holes countersunk and the countersunk heads of bolts will not project below face of bearing. The 1/2" filler is to be welded to bolster bottom cover plate. Shims are used between filler and wedge as required to give proper gap. A maximum of two (2) shims per side bearing wedge will be used.

UNDERFRAME (Continued)

CENTER SILL

Center sill to consist of two (2) C213 x 41.2 sections of A-572 Grade 50 steel welded together per AAR Standards. Center sill separators at crossties are L3 x 2 x 3/8 and at crossbearers the separators are 5/16" x 5" flat bar.

CROSSBEARERS

Crossbearers, four (4) per car, are W10 x 33# A-36 welded to center sills and side sill connection plate. Bottom tie plates of 1/2" x 6" A-36 steel are welded to bottom flanges and center sill separator plates. Crossbearer to be fastened to side sill with four (4) 3/4" lockbolts. Crossbearer top tie plates of 1/2" x 7" A-36 are welded to crossbearer top flanges and top flanges of center sill.

CROSTIES

Crossties, twelve (12) per car, are C8 x 11.5 A-36 steel extending from center sill web to side sill connection plate. Crosstie will be securely welded to center sill web and attach plate and fastened to side sill web with two (2) 3/4" lockbolts.

COUPLER

Couplers will be AAR Standard type E-60-C-HT.

CUSHION UNIT

End of car cushion unit to be FreightMaster 10" travel type "M-E."

END SILLS

End sill of L6 x 3 1/2 x 5/16 A-36 steel has the 6" leg horizontal and is welded to center sill, side sill, and corrugated end.

FLOOR STRINGERS

Floor stringers consisting of six (6) S3 x 5.7 A-572 Grade 50 steel continuous from bolster to end sills and six (6) S4 x 7.7 A-36 steel stringers continuous from bolster to bolster. Stringer connections to body bolster top cover plates and end sills to be FMC-MRED standard. Stringers will also be welded to top of crossties and crossbearers.

UNDERFRAME (Continued)

FLOOR STRINGERS (Continued)

The end of I-beam stringers will also be welded to top of crossties and cross-bearers.

FRONT DRAFT LUGS

Front draft lugs are forgings of FreightMaster design.

REAR DRAFT LUGS

Rear draft lugs are castings of FreightMaster design.

STRIKER

Striker consists of a 1 1/2" x 3 1/2" flat bar welded to top of center sill.

SIDES

CORNER POST

Corner posts of 3/16" ASTM A-570 Grade E steel 2 1/2" deep formed similar to hat section but with only one flange. Posts to be welded to side sill, side plate, side sheet, and corrugated end.

DEFECT CARD RECEPTACLE

Defect card receptacle, one (1) per car, meets AAR requirements and is securely fastened to side sill on reservoir side of car.

LADING STRAP ANCHORS

Lading anchors consist of continuous strips on each door post full height and 72 individual anchors per car. Individual anchors are located at side posts, in vertical rows spaced from centerline of car at 8'-4 13/32", 14'-4 13/32", and 20'-4 13/32". Vertical elevation from floor is 12", 24", 37", 50", 69", and 101 3/8".

PLACARD BOARDS

Placard boards, four (4) per car of Douglas Fir will be secured with formed steel brackets, which will be welded to steel ends and doors as shown on drawing.

ROUTING CARD BOARDS

Routing card boards, two (2) per car of Douglas Fir will be secured formed steel brackets, which will be welded to doors as shown on drawing.

SIDE PLATE

Side plate, two (2) per car, to be 1/4" ASTM A-572 Grade 42 steel formed plate extending full length of car sides.

SIDE PLATE REINFORCEMENT

Side plate reinforcement, 1/4" x 5 1/4" ASTM A-572 Grade 42 steel, welded to door frame, adjacent side posts and side plate.

SIDES (Continued)

SIDE POSTS

Twenty-four (24) side posts, 3/16" ASTM A-570, Grade E steel hat section, 2 1/2" deep, welded to side sill, side plate and side sheets. Side posts adjacent to door frame are also welded to side plate reinforcement. Vent holes to be at side posts adjacent to corner posts.

SIDE SHEETS

Side sheets, 1/8" ASTM A-570, Grade E steel sheet, plug welded to corner posts, side posts, and door frame. Fillet welded, 1/8" to side sill and side plate.

SIDE SILL

Side sill is channel, C15 x 33.9 of A-36 steel extending full length of car with depth reduced at sill steps.

SIDE SILL REINFORCEMENT

Side sill channel reinforcement at center of car will be 7/8" x 2 1/2" A-36 steel, 19'-3" long welded to bottom flange of channel. Ends of bar to be square (no taper).

DOOR FRAME

Door frame consists of inner and outer sections, both of 1/4" ASTM A-572, Grade 42 steel and designed to accommodate sliding doors.

THRESHOLD PLATE

Threshold plate is a two-piece welded design consisting of a vertical support of F.B. 1/4" x 2" and a formed 3/16" plate lapping the top of the steel floor designed for 50,000 pound axle load.

DOORS, ENDS, AND ROOF

DOORS

Side doors are free-rolling single sliding type, providing 10'-0" wide clear door opening centered on centerline of car.

ENDS

The ends are fabricated by FMC-MRED and are 1/4" ASTM A-572 Grade 50 steel bottom section and 3/16" ASTM A-572 Grade 50 steel top section. The corrugations are 5" deep and extend from corner post to corner post.

END LINING

End lining will be 5/32" ASTM A-572 Grade 50 steel extending full width and height of car and provides a flush surface over entire interior end. Welding to provide for development of full strength of completed end.

ROOF

Roof of all steel will be of 14-gage galvanized intermediate sheets and 12-gage galvanized end sheets of the wide cross-panel design. The panels are joined together by lock seams. Roof to be welded to side plate and end sheet.

DECKING

DECKING

Decking will be suitable for 50,000 lbs. floor load, 1 3/4" nailable steel secured to underframe member by welding.

FLOOR SUPPORT STRUCTURE

Floor support structure is designed to support a 50,000 lbs. lift truck front axle load. The joints between ends of floor boards and sides will be carefully filled with 3M's 5230 rubber filler or equivalent over an ethafoam spacer.

SAFETY APPLIANCES

GENERAL

Safety appliances will comply with AAR and FRA requirements and the first car will be inspected by an FRA Inspector.

HANDHOLDS AND LADDER RUNGS

All handholds, and ladder rungs are 3/4" round bar forgings of ASTM A-576 Grade C-1015.

LADDERS, END

Ladders consist of treads fastened to 1 3/4" x 1 3/4" x 3/16" A-36 steel stiles with 5/8" diameter cold headed rivets. Ladders are provided with 3/16" x 2" A-36 steel brackets riveted to stile and bolted to car with GT washers and 5/8" flat neck bolts.

LADDERS, SIDE

Ladders consist of treads fastened to corner posts and adjacent side posts with GT washers and 5/8" flat neck bolts.

END PLATFORM

End platform is 8" x 60" and mounted according to DOT requirements.

SILL STEPS

Sill steps of 1/2" x 1 3/4" A-36 steel will be located at each corner of car, securely fastened to side sill with 5/8" lockbolts. Holes in sill steps to be drilled.

BRAKE SYSTEM

AIR BRAKES - ABDW-1012

Details of installation to conform with Specification #2518, dated January 1977, "Installation of Freight Car Brake Equipment," and brake arrangement drawing.

"ABDW" control valves, reservoirs, brake cylinders and brake pipe to be equipped with butt-welded flanged pipe fittings.

Any hose found porous or leaking around fittings or otherwise defective, and any cocks found leaking at top of key will be replaced. Brake pipe to be secured with wedge type anchors. Angle cocks are to be in their proper positions with suitable clearance, reservoirs, and cylinders will be tight on their supports and securely attached to car.

ANGLE COCKS

Ball type angle cocks are to be used having short nipple at end of trainline threaded one end into angle cock with other end coupled to the trainline with a threaded straight coupling.

Location of angle cock to be in accordance with AAR Manual of Standards and Recommended Practices.

BADGE PLATE

Steel badge plate, one (1) per car, showing brake lever dimensions to be applied to car in a visible location near air brake cylinder.

BOLTS

Bolts for brake reservoir and ASDM valve to be high-strength having American Standard Regular semi-finished hexagon heads.

BRAKE BEAMS

To be AAR Unit type #18, with metal shoe rejection lugs.

BRAKE CHAIN

Brake chain will be 9/16" "BBB" straight link, type.

BRAKE SYSTEM (Continued)

BRAKE PINS

All brake pins will be made of C-1050 steel, turned or drop forged to within $\pm .007$ of size, induction hardened. The minimum diameter of pins should be $\frac{1}{4}$ 3/32". All brake pins to be secured with 5/16" Lock-Tite cotter keys.

BRAKING RATIO AIR

Braking ratio is in accordance with AAR Interchange Rules. Total hand brake force will not be less than 11% of gross rail load.

BRAKE REGULATOR

Double acting automatic brake regulator is to be applied. Brake regulator to be double jaw, to comply with AAR requirements.

BRAKE SHOE KEYS

To be AAR spring type.

BRAKE SHOES

Two inch (2") high-friction composition type.

HAND BRAKE

Hand brake is vertical wheel non-spin, quick release type (short handle). Hand brake and bell crank are AAR #66.

LOCK NUTS

Brake valve pipe bracket, combined reservoir, brake cylinder, retaining valve, branch pipe tee, brake badge plate and hand brake housing to be provided with an approved lock nut to comply with AAR Specification M-922-6S.

PIPING

Extra strong steel pipe and welded fittings welded in accordance with AAR Specification will be used for trainline, all connections, and retainer pipe and the short nipples on ends of trainline as per latest ASTM Specification. All piping will be well secured to underframe of car with wedge type pipe anchors. Maximum unsupported span to be eight (8) feet.

BRAKE SYSTEM (Continued)

PIPING (Continued)

Individual pipes must be formed to accurate shape before application. Strain on pipe and flanged unions caused by forcing same in place to obtain connection will be avoided. Swivel flanged welded type fittings are to be used in all cases, replacing threaded fittings.

All pipes to be hammered and steam cleaned free of dirt before connecting them to valvular mechanism.

PISTON TRAVEL

Ten by twelve (10 x 12) cylinder piston travel must not be less than 7" nor more than 7 1/2", preferably 7 1/2" with slack adjuster in complete release position.

RELEASE ROD

Release rod shall be 1/2" diameter mild steel with closed loop ends and arranged for in-line operation of brake cylinder release valve and duplex release valve.

SUPPORTS

All supports for brake rigging and equipment are to be lapped over top of bottom flanges of underframe members where possible. All brake rod supports will be of closed top design.

Body lever fulcrum and attachment brackets are to be designed to withstand the loads resulting from 90 psi brake cylinder pressure plus 1.8 times the rail hand brake force without exceeding the yield or critical buckling stress.

TRUCK LEVERS AND CONNECTIONS

Truck levers and connections are of the type furnished by Schaefer Equipment Company.

BODY LEVERS

Body levers to be car builder fabricated.

PAINTING

ACI LABELS

Automatic car identification labels to be applied, cleaned, sealed, etc., in accordance with latest AAR specifications.

CAULKING

Outside caulking, where applicable will be 3M's 5511 or equal. Perimeter of deck to be caulked with 3M's 5230 or equal.

CLEANING

All steel surfaces, interior and exterior, to be painted will be blasted to remove loose mill scale and loose rust, except underframe which will be cleaned to remove loose mill scale and loose rust.

EXTERIOR

Sides and ends to be painted with a primer-enamel system to 3 mils minimum dry film thickness. Underframe to be direct-to-metal paint to 3 mils minimum dry film thickness.

INACCESSIBLE OR HIDDEN SURFACES

Surfaces of underframe and body of car which will be inaccessible after assembly, including draft gear pockets, will be given a coat of railroad company's approved direct-to-metal Freight Car Red paint or DeSoto Chemical Coatings, Inc. Red Chromate Lap Joint paint or approved equivalent before assembling.

INTERIOR

Interior to be painted with a primer-enamel system to 3 mils minimum dry film thickness. Finish color to be Tan. Decking to be coated with anti-skid paint.

METAL-TO-METAL LAP JOINTS

All joints where metal laps on metal will be given a coat of DeSoto Chemical Coatings, Inc. Chromate Lap Joint paint or other approved equivalent before being riveted or welded together except where application will interfere with welding.

PAINTING (Continued)

ROOF

Roof is furnished galvanized by manufacturer and is not painted.

STENCILING

All stenciling will be in accordance with approved drawings. Stenciling to consist of standard AAR data per Manual Page L-39A-1972.

TRUCKS

Trucks to be given a fog coat of light-bodied paint by truck manufacturer.

SECUREMENTS

BOLT AND NUT THREADS

Unless otherwise specified, all bolts and nuts are threaded to the coarse thread series in accordance with the Unified Screw Thread Standard Class 2A External and Class 2B Internal Threads for Class 2 fit of the American Standard for Screw Threads.

BOLT HEADS AND NUTS

All bolt heads, except as noted, are in accordance with American Standard Regular Hexagon.

All nuts are American Standard per ASTM Specification A-307, heavy hexagon heads regardless of size.

High-strength bolts per ASTM Specification A-325.

SELF-LOCKING NUTS AND SCREWS

Self-locking nuts, where specified, are to be of the self-locking nylon insert prevailing torque type meeting AAR Specification M-922, and Mil N-15027 for self-locking nuts where temperature does not exceed 200 degrees Farenheit.

Self-locking nuts are used on bolts securing "ABOW" valve, combined reservoir, retaining valve, branch pipe tee and angle cock "U" bolts to car body supports.

Self-locking cap screws are used for securing all flanged pipe fittings on reservoir, pipe bracket, and brake cylinder.

RIVETING AND LOCKBOLTING

Riveting and lockbolting will be done thoroughly and in a workmanlike manner in every respect.

Holes will match and have adequate bearing all around for the fasteners. Holes are reamed where necessary and the use of drift pins to enlarge unmatched holes will not be permitted.

Reaming is done after pieces are assembled with pieces firmly bolted together so that they are in close contact.

Rivets used for structural connections will meet ASTM A-502 Grade 2.

REQUIREMENTS (Continued)

WELDING

Welding will be in accordance with Part V, Fabrication and Construction of AAR Specifications for Design, Fabrication, and Construction of Freight Cars.

All tack welds may be welded through.